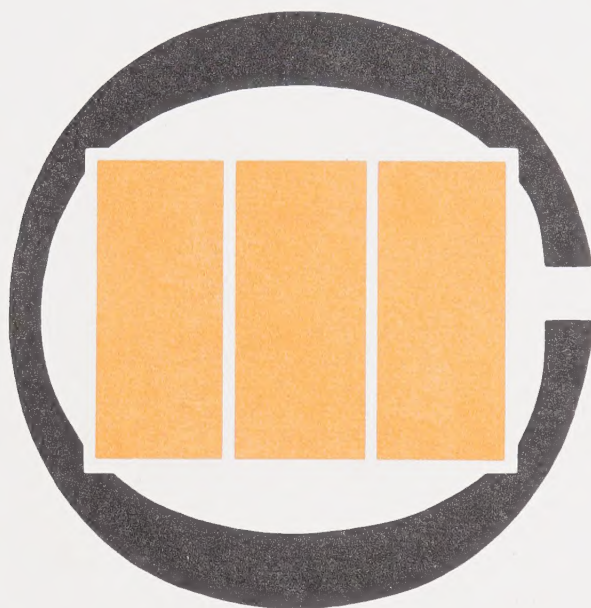


Canadian Manoir

Industries Limited



Annual Report 1980

DIRECTORS

H.L. BECK, Q.C.
Toronto, Ontario

J.S. BULL
Toronto, Ontario

W.C. CHICK, FCA
Mississauga, Ontario

GERALDINE CLEVER
Toronto, Ontario

G. GRAHAMSLAW
Toronto, Ontario

D.L. SINCLAIR
Toronto, Ontario

OFFICERS

GERALDINE CLEVER
Chairman of the Board

G. GRAHAMSLAW
President

H.L. BECK, Q.C.
Secretary

AUDIT COMMITTEE

W.C. CHICK, FCA
G. GRAHAMSLAW
D.L. SINCLAIR

**REGISTRAR AND TRANSFER
AGENT**

CANADA PERMANENT TRUST
COMPANY — Toronto

BANKERS

THE TORONTO DOMINION
BANK
Toronto

CHASE MANHATTAN BANK
New York

LAWYERS

DAVIES, WARD & BECK
Toronto

LAFLEUR, BROWN,
DE GRANDPRÉ
Montreal

GUGGENHEIMER &
UNTERMYER
New York

AUDITORS

ARTHUR ANDERSEN & CO.

**COMPANY PLANTS AND
OFFICES****HEAD OFFICE**

2 Glengrove Ave. West
Toronto, Ontario M4R 1N4
(416) 487-5363

PLANTS

Mississauga, Ontario
Tilbury, Ontario
Woodbridge, Ontario
Chicago, Illinois
South Hadley, Mass.
Nogales, Mexico
Singapore

OFFICES

Montreal, Toronto, Chicago,
Los Angeles, New York

SHARES LISTED

TORONTO STOCK EXCHANGE

ANNUAL GENERAL MEETING

4:00 p.m. Monday,
May 11, 1981
City Hall Grill of
The Sheraton Centre, Toronto

Financial Highlights

	Year ended December 31	
	1980	1979
Net Sales	\$ 58,672,538	\$ 50,716,319
Net Income	\$ 517,861	\$ 2,209,409
Per share	\$ 0.31	\$ 1.33
Cash dividends paid	\$ 635,353	\$ 583,233
Number of Shareholders	728	810
Number of shares outstanding	1,672,480	1,666,380
Number of people employed	616	444
Working Capital	\$ 13,151,084	\$ 11,484,119
Per share	\$ 7.86	\$ 6.89
Shareholders' Equity	\$ 15,237,733	\$ 15,323,757
Per share	\$ 9.11	\$ 9.20

Message to Shareholders

Financial Review

The year 1980 proved to be a difficult one for your Company as net income declined to \$517,861 compared to \$2,209,409 for the prior year.

In our mainstay businesses of heating and cooling, furnace sales declined in the face of consumer uncertainty about energy trends and Government assistance programmes. While sales of domestic home freezers increased in the year, margins were poor as material cost increases could not be recovered with higher end pricing to consumers.

Rising interest costs and additional interest expense related to the acquisition on January 1, 1980, of Electronic Interconnect Systems, Inc. (E.I.S.) also affected profits unfavourably as interest expense increased from \$376,030 in 1979 to \$1,293,278 in 1980.

During the year, major non-recurring investments were made to strengthen existing operations, which included the rationalizing of our furnace manufacturing operations by closing the Waterford plant and refurbishing Tilbury. At General Freezer, a major computerization programme was put in place, and at E.I.S. up-front investment costs were incurred in the setting up of the Singapore and Mexico satellite assembly plants.

The Board accepted an offer to dispose of our giftware business, Maso Import, and this led to an extraordinary loss of \$385,000 subsequent to the year-end.

Sales in 1980 increased to \$58,672,538 from \$50,716,319 in 1979, largely because of the E.I.S. acquisition at the beginning of the year.

Heating and Cooling Group

General Freezer increased its share of the domestic market in 1980 and made progress in the export market with export sales amounting to approximately 8% of the total. Despite the higher volume and some price increases, it was not possible to pass through all of the rapidly escalating material cost increases and, as a result, profit margins were eroded and net profits were substantially below the previous year. All major appliance manufacturers in Canada experienced similar problems during the year.

In 1981, the company will commence manufacturing foam insulated upright freezers to capitalize on the growing market for upright freezers.

General Freezer has embarked upon a computerization programme to improve production scheduling and inventory control. This project will be completed in 1981. All costs to date have been expensed.

Duo-Matic/Olsen had a satisfactory first six months. However, as the year progressed, their sales and profitability were impacted by the general state of the economy, interest rates, high wholesaler inventory levels and the governmental "off-oil programme". The "off-oil programme" had been expected to provide some impetus to the gas furnace market. This has not occurred as quickly as anticipated due to delays in finalizing details of the programme and in installation of new gas lines by the gas utilities.

Duo-Matic/Olsen has now in production a new line of energy efficient gas furnaces. The coal multi-fuel furnace has been redesigned and an electric multi-fuel furnace is being developed.

In the final quarter of 1980 significant amounts were expensed related to the previously announced decision to refurbish the Tilbury plant and close the Waterford premises.

The \$1.8 million programme to expand, refurbish and re-equip the Tilbury facility of Duo-Matic/Olsen, authorized by the Directors in August 1980, is proceeding on schedule and within budgeted cost. This project is being undertaken to take advantage of an expanding gas furnace market and will provide some manufacturing cost efficiencies and improvement in quality arising from the consolidation of the production facilities.

has been completed on schedule

The Waterford plant was closed as of December 31, 1980 due to the reduced demand for oil furnaces arising from the increasing cost of oil compared to other energy sources.

Manoir International U.S. in 1980 suffered from interrupted supplies of compressors from Italy due to labour problems in that country. This, together with the higher value of the Italian lira compared to the U.S. dollar, resulted in eroded margins. Recently, however, there appears to have been an alleviation of both of these problems which should help stabilize margins."

1980 was Manoir International Canada's first full year operating as a commission agent rather than an importer and distributor of compressors. As a result there are no reported sales in 1980 and commission income was somewhat less than 1979 net income.

Electronic Products

1980 was a very disappointing year for E.I.S. The transition to a more autonomous method of operating, proved more difficult than anticipated.

"The first three quarters of the year were impacted by high customer inventories and the general slowdown in the U.S. economy. During the latter part of the year there was some improvement in the level of shipments."

Costs were affected unfavourably by the introduction of some new and more complex items which required a learning period. Lower productivity was also experienced as a result of slowdowns during union contract negotiations. "A new two year union contract has recently been ratified."

In an effort to regain business, satellite assembly plants have been established in Singapore and Mexico. It is expected that these operations will be expanded to produce a major portion of assemblies which can no longer be produced economically in Massachusetts.

Other Operations

Subsequent to the year end, the Maso Import giftware business was sold. Over the past few years this enterprise has reported net operating losses after interest carrying costs. The shareholders have previously been informed that this type of business was not to be one of the Company's prime areas of growth and development and the decision was made to effect the disposition. Proceeds from the sale will be used in the Company's larger and more profitable operations.

The service group had a satisfactory year in spite of cutbacks in the budgets of major national advertisers and the effect of the actors strike in the U.S. which inhibited new advertising campaigns in that period.

In November 1980 the Company disposed of the operations of the Audio Image Communications Division.

Corporate Joint Venture

Many of the problems faced by Canadian Manoir's Heating and Cooling operations were also experienced by Oasis Air Conditioning Inc., the Company's joint venture accounted for on an equity basis. Sales of central air conditioning units were slow during the year, and unusual raw material inventory losses were also experienced. As a result, a \$271,045 loss was reflected in your Company's earnings during 1980 compared to a modest profit in 1979.

Personnel

The Directors are pleased to welcome Mr. Wilfred C. Chick, FCA, as a member of the Board. Mr. Chick, who has recently retired as the Vice-President, Finance of Stelco, Inc. and is a past president of the Institute of Chartered Accountants of Ontario, brings a wealth of knowledge and expertise to the Company.

On behalf of the Board of Directors, we wish to thank all employees for their continued dedication to the interests of the Company.

Geri Clever

Geraldine Clever
Chairman

Gordon Grahmslaw

Gordon Grahmslaw
President

Toronto, Ontario
March 18, 1981

Oasis A/C
had an unexpected
loss of ---
net recovery of
120,000 from
sale of

Sing sm profit
Mex
sm loss

completed July 1981

Manoir Int'l suffered again from
interrupted supply of compressors

Consolidated Statements of Income

For the years ended December 31, 1980 and 1979

	1980	1979
Net Sales	\$ 58,672,538	\$ 50,716,319
Cost of Sales	<u>46,268,680</u>	<u>39,469,140</u>
Gross Profit	\$ 12,403,858	\$ 11,247,179
Selling, General and Administrative Expenses	\$ 9,000,791	\$ 7,007,847
Income (loss) in Corporate Joint Venture	\$ <u>(271,045)</u>	\$ <u>3,812</u>
Interest Expense:		
Operating	\$ 620,052	\$ 376,030
Long-term	<u>673,226</u>	<u>—</u>
	\$ 1,293,278	\$ 376,030
Income before Provision for Income Taxes and Extraordinary Item	\$ 1,838,744	\$ 3,867,114
Provision for Income Taxes	<u>935,883</u>	<u>1,657,705</u>
Income before Extraordinary Item	\$ 902,861	\$ 2,209,409
Extraordinary Item (Note 9)	<u>385,000</u>	<u>—</u>
Net Income for the year	\$ <u>517,861</u>	\$ <u>2,209,409</u>
Earnings per share before extraordinary item	\$ <u>0.54</u>	\$ <u>1.33</u>
Earnings per share after extraordinary item	\$ <u>0.31</u>	\$ <u>1.33</u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

Auditors' Report

To the Shareholders of
Canadian Manoir Industries Limited

We have examined the consolidated balance sheets of CANADIAN MANOIR INDUSTRIES LIMITED (a Canada Corporation) and subsidiaries as of December 31, 1980 and 1979, and the related consolidated statements of income, shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Canadian Manoir Industries Limited and subsidiaries as of December 31, 1980 and 1979, and the results of their operations and the changes in their financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Signed: ARTHUR ANDERSEN & CO.
CHARTERED ACCOUNTANTS

Toronto, Ontario
March 11, 1981

Consolidated Statements of Changes in Financial Position

For the years ended December 31, 1980 and 1979

	1980	1979
Working Capital, beginning of year	\$ <u>11,484,119</u>	\$ <u>9,517,773</u>
Source of Funds:		
Operations —		
Income before extraordinary item	\$ 902,861	\$ 2,209,409
Items not affecting funds —		
Depreciation and amortization	932,182	519,878
Increase (decrease) in deferred income taxes	(14,963)	237,914
Decrease (increase) in corporate joint venture	<u>271,045</u>	<u>(3,812)</u>
	\$ 2,091,125	\$ 2,963,389
Increase in long-term debt	4,171,137	—
Issue of common shares	<u>31,468</u>	<u>—</u>
	\$ <u>6,293,730</u>	\$ <u>2,963,389</u>
Application of Funds:		
Net assets of business acquired	\$ 6,209,423	\$ —
less: related working capital	<u>3,462,376</u>	<u>—</u>
	\$ 2,747,047	\$ —
Additions to property, plant and equipment, net	859,365	413,810
Dividends paid	635,353	583,233
Provision for estimated loss on disposition		
of Maso Import (Note 9)	<u>385,000</u>	<u>—</u>
	\$ <u>4,626,765</u>	\$ <u>997,043</u>
Increase in working capital	\$ <u>1,666,965</u>	\$ <u>1,966,346</u>
Working Capital, end of year	\$ <u><u>13,151,084</u></u>	\$ <u><u>11,484,119</u></u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

For the years ended December 31, 1980 and 1979

	1980	1979
Capital Stock:		
Authorized (Note 3)		
Issued —		
Balance, beginning of year — 1,666,380 shares		
(1979 — 1,666,380)	\$ 5,672,860	\$ 5,672,860
Issued during year — 6,100 shares (1979 — Nil)	<u>31,468</u>	<u>—</u>
Balance, end of year — 1,672,480 shares		
(1979 — 1,666,380)	\$ <u>5,704,328</u>	\$ <u>5,672,860</u>
Contributed Surplus	\$ <u>97,524</u>	\$ <u>97,524</u>
Retained Earnings:		
Balance, beginning of year	\$ 9,553,373	\$ 7,927,197
Add — Net income for the year	<u>517,861</u>	<u>2,209,409</u>
	\$ 10,071,234	\$ 10,136,606
Deduct — Dividends paid (1980 — 38¢; 1979 — 35¢)	<u>635,353</u>	<u>583,233</u>
Balance, end of year	\$ <u>9,435,881</u>	\$ <u>9,553,373</u>
Shareholders' Equity	\$ <u>15,237,733</u>	\$ <u>15,323,757</u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

CANADIAN MANOIR INDUSTRIES LIMITED
and subsidiary companies
Condensed Financial Summary

Operating data	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
(in thousands of dollars)										
Net Sales	58,673	50,716	41,372	35,786	33,301	35,034	34,704	25,664	15,774	12,809
Income before income taxes	1,839	3,867	3,314	3,421	4,124	4,760	4,501	2,886	1,853	1,640
Net Income	518	2,209	2,157	2,112	2,250	2,636	2,332	1,549	967	819
Cash dividends	635	583	567	511	526	412	331	300	6	7
Stock dividends *	—	—	—	—	—	—	—	—	—	675
Retained for growth	(117)	1,626	1,590	1,601	1,724	2,224	2,001	1,249	961	137
Net Income per share	0.31	1.33	1.29	1.27	1.35	1.59	1.41	0.94	0.59	0.50
Year-end financial position										
(in thousands of dollars)										
Working capital	13,151	11,484	9,518	9,238	7,893	6,039	5,251	3,793	2,834	2,452
Fixed assets, net of depreciation	7,446	3,978	4,085	3,058	3,175	3,251	2,553	2,400	1,346	1,284
Total assets	33,260	25,265	25,495	17,732	16,414	20,104	15,706	12,675	6,242	5,941
Long-term debt	5,228	—	—	—	304	2,416	1,152	1,576	240	320
Shareholders' equity	15,238	15,324	13,698	12,100	10,498	8,757	6,524	4,519	3,829	3,357
Shareholders' equity per share	9.11	9.20	8.22	7.27	6.31	5.28	3.95	2.74	2.33	1.74

*The stock dividends were redeemed for cash in 1972

STOCK PROFILE

Quarter Ended	Stock Price		Number of Shares Traded
	High	Low	
March 31, 1980	6 1/8	4 3/4	28,024
June 30, 1980	6	4 3/4	26,450
September 30, 1980	6 1/4	5 1/2	23,036
December 31, 1980	7 1/2	5 1/2	79,120
Year Summary	7 1/2	4 3/4	156,630

Canadian Manoir Industries Limited

Principal Subsidiaries and Divisions

RESIDENTIAL HEATING AND COOLING PRODUCTS

Duo-Matic/Olsen Inc.

Louise & Lyon Streets
Highway 2
Tilbury, Ontario N0P 2L0 (519) 682-2062

Manufacturer and distributor of oil, electric & gas residential furnaces and mobile home furnaces, coal/wood/oil combination furnaces, coal/wood forced air furnaces and suspended gas unit heaters.

2759 Thamesgate Drive
Mississauga, Ontario L4T 1G5 (416) 677-3394

Duo-Matic/Olsen, Inc.

2510 Bond Street
Park Forest South, Ill. 60466 (312) 534-9000

Distributor of electric, wood & coal burning furnaces in U.S.

General Freezer Limited

9230 Islington Avenue North
Woodbridge, Ontario L4L 1B3 (416) 851-2861

Manufacturer of residential freezers and dehumidifiers.

Manoir International (Canada) Ltd.

2 Glengrove Avenue West
Toronto, Ontario M4R 1N4 (416) 487-5363

Commission agent for the sale of hermetically sealed compressors.

Manoir International, Inc.

450 West 169th Street
South Holland, Ill. 60473 (312) 596-7700

Distributor of hermetically sealed compressors, and manufacturer of condensing units.

ELECTRONICS

Electronic Interconnect Systems, Inc.

775 New Ludlow Road
South Hadley, Mass. 01075 (413) 536-0152

Manufacturer of specialty wire and cable, cable assemblies and moulded interconnectors.

EIS Singapore Pte. Ltd.

Suite 417
Columbo Court, Singapore 0617 Tel. 328266

Interconexiones S.A. De C.V.

Apartado Postal 509
Nogales, Sonora, Mexico Tel. 63123143

OTHER

Comprehensive Distributors

49 Jackes Avenue
Toronto, Ontario M4T 2P9 (416) 961-1110

Distributor of television and radio commercials. Adapter of radio and television commercials for the Canadian market, and importer/exporter of advertising related material.

Plaza 1 Level
Place du Canada
Montreal, Quebec H3B 2N2 (514) 861-8475

Maso Import

8499 Devonshire Place
Montreal, Quebec H4P 2K1 (514) 731-9431

Distributor of giftware, ceramics, gourmet cooking items and other related products.

Teleprint of Los Angeles, Inc.

3779 Cahuenga Boulevard West
Studio City, Calif. 91604 (213) 760-3191

Distributor of television and radio commercials for advertisers and advertising agencies and importer/exporter of advertising related material.

Teleprint of New York, Inc.

1500 Broadway Avenue
New York, N.Y. 10036 (212) 869-8563

CORPORATE JOINT VENTURE

Oasis Air Conditioning Inc.

2600 Drew Road
Mississauga, Ontario L4T 3M5 (416) 678-7300

Manufacturer of air-conditioning units, refrigeration coils and electric warm air furnaces.

